

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

Village of Milford, Michigan

**Financial Report
with Supplemental Information
June 30, 2007**

Village of Milford

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Independent Auditor's Report

To the Village Council
Village of Milford, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Milford, Michigan (the "Village") as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Village of Milford, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Milford, Michigan as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Village Council
Village of Milford, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Milford, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moreau, PLLC

August 22, 2007

Village of Milford

Management's Discussion and Analysis

Our discussion and analysis of the Village of Milford, Michigan's (the "Village") financial performance provides an overview of the Village's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Village's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The full accrual statements include the statement of net assets and the statement of activities, which provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds. The fiduciary fund statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside of the government.

The Village as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current assets	\$ 4,446	\$ 4,154	\$ 1,268	\$ 1,716	\$ 5,714	5,870
Noncurrent assets	10,241	10,671	12,514	12,835	22,755	23,506
Total assets	14,687	14,825	13,782	14,551	28,469	29,376
Liabilities						
Current liabilities	324	356	155	259	479	615
Long-term liabilities	1,900	1,989	3,810	4,335	5,710	6,324
Total liabilities	2,224	2,345	3,965	4,594	6,189	6,939
Net Assets						
Invested in capital assets -						
Net of related debt	8,552	9,004	8,704	8,444	17,256	17,448
Restricted	3,355	2,951	-	-	3,355	2,951
Unrestricted	556	525	1,113	1,513	1,669	2,038
Total net assets	<u>\$ 12,463</u>	<u>\$ 12,480</u>	<u>\$ 9,817</u>	<u>\$ 9,957</u>	<u>\$ 22,280</u>	<u>\$ 22,437</u>

Village of Milford

Management's Discussion and Analysis (Continued)

As of June 30, 2007, the Village's combined net assets decreased by just under 1 percent from a year ago, from approximately \$22,437,000 to \$22,280,000. As we look at the governmental-type activities separately from the business-type activities, we can see that governmental-type activities decreased by less than 1 percent. The decrease from the prior year is due to a significant decrease in revenue from building department activities. Business-type activities decreased 1.4 percent from the prior year. This decrease from prior year is due to the decrease in capital contributions and connections fees resulting from the decrease in development within the Village.

Unrestricted net assets of the governmental-type activities, the part of net assets that can be used to finance day-to-day operations, is \$556,000 or 8.3 percent of expenditures.

The following table shows the changes of the net assets during the current year (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue						
Program revenue:						
Charges for services	\$ 3,333	\$ 3,066	\$ 1,250	\$ 1,231	\$ 4,583	\$ 4,297
Operating grants and contributions	460	468	4	2	464	470
Capital grants and contributions	80	50	547	1,477	627	1,527
General revenue:						
Property taxes	1,804	1,686	-	-	1,804	1,686
State-shared revenue	544	561	-	-	544	561
Unrestricted investment earnings	251	210	53	60	304	270
Franchise fees	74	66	-	-	74	66
Miscellaneous	33	36	-	-	33	36
Gain on sale of fixed assets	24	13	-	-	24	13
Extraordinary item - Settlement of potential tax adjustment	-	205	-	-	-	205
Transfers	7	-	(7)	-	-	-
Total revenue	6,610	6,361	1,847	2,770	8,457	9,131
Program Expenses						
General government	915	985	-	-	915	985
Public safety	2,843	2,757	-	-	2,843	2,757
Public works	1,250	1,256	-	-	1,250	1,256
Highways, streets, and bridges	1,207	1,128	-	-	1,207	1,128
Parking improvements	37	34	-	-	37	34
Downtown Development Authority	199	226	-	-	199	226
Transportation	98	113	-	-	98	113
Interest on long-term debt	77	81	-	-	77	81
Water and sewer	-	-	1,986	2,094	1,986	2,094
Total program expenses	6,626	6,580	1,986	2,094	8,612	8,674
Change in Net Assets	\$ (16)	\$ (219)	\$ (139)	\$ 676	\$ (155)	\$ 457

Village of Milford

Management's Discussion and Analysis (Continued)

Governmental Activities

The Village's total governmental revenues increased, primarily because of increased property tax revenue generated by the Township-wide police millage. General Fund expenditures for general government decreased due to a combination of decreased attorney fees relating to the landfill, and capital outlay expenditures. Public safety expenditures increased primarily due to accelerated funding of unfunded pension and retiree health care liabilities.

Business-type Activities

The Village's business-type activities consist of the activity in the Water and Sewer Fund. We provide water to residents and provide sewage treatment through a Village-owned and operated sewage treatment plant. Water usage fluctuates from year to year, largely based on how hot and dry the summer months are. In 2006-2007, the Village billed residents approximately 10,000,000 gallons (or 4.3 percent) less water than in the prior year. The Water and Sewer Fund experienced an operating loss of \$602,281 in 2006-2007; of this amount, \$614,634 was due to depreciation expense, which is a noncash item. In addition, The Village also earned approximately \$53,000 in interest income which can be used for operating expenses. After adjusting for these items, there was no loss for the year.

The Village's Funds

Our analysis of the Village's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds for 2007 include the General Fund, the Major Street Fund, and the Police Fund.

The General Fund pays for most of the Village's governmental services, the most significant of which is public works, with expenses of \$1,323,100 in 2006-2007. The Police Fund pays the majority of public safety costs for both the Village and the Township, utilizing the receipts from a Township-wide millage to fund services. The Major Street Fund millage expired in 2003, and approximately \$46,000 generated by this millage is reserved for future road improvements.

Village of Milford

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the year, the Village amended the budget to take into account events during the year. Several significant amendments were due to decreased building activity within the Village; the original licenses/permits revenue was budgeted at \$180,000 and the amended budget was \$70,000, with the actual revenue for the fiscal year totaling \$72,281. This decrease in revenue was partially offset by decreased inspection expenses of \$32,000. Another amendment was for costs relating to the landfill. The Village originally budgeted \$95,000 and the budgeted amount was subsequently amended to \$184,500 to provide funding for both a lawsuit pertaining to the landfill and for costs related to the remedial action plan. The actual expense for the year for the landfill activity was \$152,390, and \$93,178 of that amount was for expenses specifically relating to the lawsuit. The budget was also amended to reflect the timing of repaving the Civic Center parking lot. The repaving was originally budgeted for 2005-2006, but was not completed until July 2006. Some engineering costs associated with the project were paid during 2005-2006.

Capital Asset and Debt Administration

At the end of 2006-2007, the Village had approximately \$22,650,000 invested in capital assets that include buildings, public works and police equipment, streets, sidewalks, parking lots, bridges, water and sewer lines, water towers, and water and sewer treatment plants. The Village completed \$94,000 of improvements to local roads during the year.

No debt was issued in 2006-2007.

Economic Factors and Next Year's Budgets and Rates

The Village's budget for next year is based on 5.496 mills in property tax rates, which is the same rate as the prior year. In addition, the Downtown Development Authority levied 1.747 mills in its district; this was the same rate that was levied the prior year.

Wastewater rates were scheduled to increase as of July 1, 2007 in the amount of 14 cents per thousand gallons of water usage. This is an overall increase in combined water/wastewater rates of 1.9 percent. The 1986 wastewater bonds were retired in 2006-2007. As of July 1, 2007, the amount that had been levied for the wastewater debt of \$1.48 per thousand gallons of water usage was scheduled to be levied to pay the debt on improvements to the water system.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the treasurer's office.

Village of Milford

Statement of Net Assets June 30, 2007

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 4,092,708	\$ 638,727	\$ 4,731,435
Receivables:			
Customers	36,992	620,335	657,327
Interest	55,621	8,795	64,416
Other	15,694	-	15,694
Due from other governmental units	155,018	-	155,018
Prepaid costs and other assets	90,909	-	90,909
Capital lease receivable	82,704	-	82,704
Net pension asset	102,085	-	102,085
Investment in joint venture (Note 10)	50,438	-	50,438
Capital assets - Net (Note 4):			
Depreciated	9,114,689	12,488,456	21,603,145
Nondepreciated	891,185	25,956	917,141
Total assets	14,688,043	13,782,269	28,470,312
Liabilities			
Accounts payable	264,901	63,115	328,016
Accrued and other liabilities	59,303	91,632	150,935
Noncurrent liabilities (Note 6):			
Due within one year	369,808	235,000	604,808
Due in more than one year	1,530,396	3,575,000	5,105,396
Total liabilities	2,224,408	3,964,747	6,189,155
Net Assets			
Invested in capital assets - Net of related debt	8,552,239	8,704,412	17,256,651
Restricted:			
Refuse collection	12,009	-	12,009
Streets and highways:			
Major streets	358,928	-	358,928
Local streets	15,885	-	15,885
Police	2,638,686	-	2,638,686
Drug law enforcement	11,568	-	11,568
Downtown development	199,160	-	199,160
Parking improvement and maintenance	77,220	-	77,220
Transportation - Senior van	41,539	-	41,539
Unrestricted	556,401	1,113,110	1,669,511
Total net assets	<u>\$ 12,463,635</u>	<u>\$ 9,817,522</u>	<u>\$ 22,281,157</u>

Village of Milford

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 915,469	\$ 139,575	\$ 15,760	\$ 50,847
Public safety	2,843,245	3,124,334	4,183	-
Public works	1,250,242	-	-	-
Highway, streets, and bridges	1,206,525	-	359,840	-
Parking improvements	36,907	33,334	25,713	-
Downtown Development Authority	198,480	-	-	29,700
Transportation	97,918	35,587	54,239	-
Interest on long-term debt	77,458	-	-	-
Total governmental activities	6,626,244	3,332,830	459,735	80,547
Business-type activities - Water and sewer	1,986,104	1,249,776	3,960	547,015
Total primary government	<u>\$ 8,612,348</u>	<u>\$ 4,582,606</u>	<u>\$ 463,695</u>	<u>\$ 627,562</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Miscellaneous				
Gain on sale of fixed assets				
Unrestricted transfers				
Total general revenues and transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2007

Net (Expense) Revenue and Changes in Net Assets

<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ (709,287)	\$ -	\$ (709,287)
285,272	-	285,272
(1,250,242)	-	(1,250,242)
(846,685)	-	(846,685)
22,140	-	22,140
(168,780)	-	(168,780)
(8,092)	-	(8,092)
(77,458)	-	(77,458)
(2,753,132)	-	(2,753,132)
-	(185,353)	(185,353)
(2,753,132)	(185,353)	(2,938,485)
1,804,067	-	1,804,067
544,262	-	544,262
250,615	53,460	304,075
74,017	-	74,017
32,919	-	32,919
24,095	-	24,095
7,200	(7,200)	-
2,737,175	46,260	2,783,435
(15,957)	(139,093)	(155,050)
12,479,592	9,956,615	22,436,207
<u>\$ 12,463,635</u>	<u>\$ 9,817,522</u>	<u>\$ 22,281,157</u>

Village of Milford

Governmental Funds Balance Sheet June 30, 2007

	Major Funds			Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Major Street Fund	Police Fund		
Assets					
Cash and cash equivalents (Note 3)	\$ 635,710	\$ 328,780	\$ 2,650,660	\$ 477,558	\$ 4,092,708
Receivables:					
Customers	36,598	394	-	-	36,992
Accrued interest	13,064	3,825	33,543	5,189	55,621
Capital lease	82,704	-	-	-	82,704
Other	4,512	-	-	11,182	15,694
Due from other governmental units	96,218	42,000	-	16,800	155,018
Prepaid costs and other assets	80,589	3,460	-	6,860	90,909
Total assets	<u>\$ 949,395</u>	<u>\$ 378,459</u>	<u>\$ 2,684,203</u>	<u>\$ 517,589</u>	<u>\$ 4,529,646</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 216,692	\$ 18,022	\$ 14,049	\$ 16,138	\$ 264,901
Accrued and other liabilities	7,169	1,509	31,468	5,443	45,589
Deferred revenue (Note 12)	82,704	-	-	-	82,704
Total liabilities	306,565	19,531	45,517	21,581	393,194
Fund Balances					
Reserved for:					
Prepaid costs	80,589	3,460	-	6,860	90,909
Refuse collection	12,009	-	-	-	12,009
Major street improvements	-	45,531	-	-	45,531
Unreserved, reported in:					
General Fund:					
Designated for subsequent year's expenditures	9,512	-	-	-	9,512
Undesignated	540,720	-	-	-	540,720
Special Revenue Funds:					
Designated for subsequent year's expenditures	-	248,788	1,619,000	-	1,867,788
Undesignated	-	61,149	1,019,686	489,148	1,569,983
Total fund balances	<u>642,830</u>	<u>358,928</u>	<u>2,638,686</u>	<u>496,008</u>	<u>4,136,452</u>
Total liabilities and fund balances	<u>\$ 949,395</u>	<u>\$ 378,459</u>	<u>\$ 2,684,203</u>	<u>\$ 517,589</u>	<u>\$ 4,529,646</u>

Village of Milford

Governmental Funds Reconciliation of Fund Balance to the Statement of Net Assets Year Ended June 30, 2007

Total Fund Balances for Governmental Funds	\$ 4,136,452
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Amounts reported for governmental activities in the statement of activities are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	10,005,874
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(1,900,204)
Interest amounts on long-term liabilities are not payable until due in the funds	(13,714)
Net pension asset not recorded in the modified accrual statements	102,085
Investment in a joint venture is not a financial resource and is not reported in the funds	50,438
Long-term receivables are not available in the current period and are not available to pay for current year expenditures	82,704

Net Assets of Governmental Activities	<u>\$ 12,463,635</u>
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Village of Milford

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2007

	Major Funds			Other	Total
	General	Major Street	Police	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
Revenue					
Property taxes	\$ 1,317,333	\$ -	\$ -	\$ 493,284	\$ 1,810,617
State-shared revenues	535,331	256,463	-	174,054	965,848
Federal sources	15,760	-	-	29,700	45,460
Licenses and permits	72,282	-	-	-	72,282
Interest	76,667	18,862	123,722	31,364	250,615
Charges for services	169,270	-	3,073,143	-	3,242,413
Other	135,512	31	17,594	39,088	192,225
Fines and forfeitures	9,345	-	-	39,672	49,017
Special assessments	-	-	-	25,713	25,713
Total revenue	2,331,500	275,356	3,214,459	832,875	6,654,190
Expenditures					
Current:					
General government	822,773	-	-	-	822,773
Public safety	121,834	-	2,830,162	-	2,951,996
Public works	1,323,100	-	-	-	1,323,100
Highways, streets, and bridges	-	393,642	-	263,443	657,085
Parking improvements	-	-	-	38,147	38,147
Building improvements	-	-	-	110,902	110,902
Other	-	-	-	238,757	238,757
Retiree health care benefits	-	-	-	34,020	34,020
Debt service:					
Principal retirement	21,231	-	-	60,000	81,231
Interest and fiscal charges	7,186	-	-	71,160	78,346
Total expenditures	2,296,124	393,642	2,830,162	816,429	6,336,357
Excess of Revenue Over (Under) Expenditures	35,376	(118,286)	384,297	16,446	317,833
Other Financing Sources (Uses)					
Operating transfers in (Note 5)	-	-	-	250,485	250,485
Operating transfers out (Note 5)	(175,375)	-	(67,025)	(885)	(243,285)
Total other financing sources (uses)	(175,375)	-	(67,025)	249,600	7,200
Net Change in Fund Balances	(139,999)	(118,286)	317,272	266,046	325,033
Fund Balances - Beginning of year	782,829	477,214	2,321,414	229,962	3,811,419
Fund Balances - End of year	<u>\$ 642,830</u>	<u>\$ 358,928</u>	<u>\$ 2,638,686</u>	<u>\$ 496,008</u>	<u>\$ 4,136,452</u>

Village of Milford

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ 325,033
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay expenditures	524,957
Depreciation	(1,057,799)

Change in equity interest in a joint venture is not recorded in the governmental funds	2,104
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Principal payment on long-term receivable is revenue in the governmental funds, but not in the statement of activities	(1,654)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	81,231
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Net pension asset is recorded as an expenditure in the governmental funds, but not in the statement of activities (where it is recorded as an asset and amortized)	102,085
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Net decrease in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities	7,198
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Change in accrued interest is not recorded in the governmental funds	888
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Change in Net Assets of Governmental Activities	<u>\$ (15,957)</u>
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Village of Milford

Proprietary Fund Statement of Net Assets June 30, 2007

	Enterprise Fund - Water and Sewer
Assets	
Cash and cash equivalents (Note 3)	\$ 638,727
Receivables:	
Customer	620,335
Accrued interest	<u>8,795</u>
Total current assets	1,267,857
Noncurrent assets - Capital assets (Note 4)	<u>12,514,412</u>
Total assets	13,782,269
Liabilities	
Current liabilities:	
Accounts payable	63,115
Accrued and other liabilities	91,632
Current portion of long-term debt (Note 6)	<u>235,000</u>
Total current liabilities	389,747
Noncurrent liabilities - Long-term debt - Net of current portion (Note 6)	<u>3,575,000</u>
Total liabilities	<u>3,964,747</u>
Net Assets	
Invested in capital assets - Net of related debt	8,704,412
Unrestricted	<u>1,113,110</u>
Total net assets	<u><u>\$ 9,817,522</u></u>

Village of Milford

Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2007

	Enterprise Fund - Water and Sewer
Operating Revenue	
Water and sewer billings	\$ 1,249,776
Miscellaneous	<u>3,960</u>
Total operating revenue	1,253,736
Operating Expenses	
Salaries and wages	465,511
Benefits	245,652
Operating supplies	68,847
Utilities	165,790
Equipment rental	26,900
Consulting	15,539
Contracted services	74,439
Maintenance	49,519
Insurance	53,623
Depreciation	614,634
Miscellaneous	41,635
Data processing	<u>33,928</u>
Total operating expenses	<u>1,856,017</u>
Operating Loss	(602,281)
Nonoperating Revenue (Expense)	
Investment income	53,460
Interest expense	(130,087)
Connection fees	<u>47,985</u>
Total nonoperating revenue	(28,642)
Capital Contributions	499,030
Transfer to Other Funds (Note 5)	<u>(7,200)</u>
Change in Net Assets	(139,093)
Net Assets - Beginning of year	<u>9,956,615</u>
Net Assets - End of year	<u><u>\$ 9,817,522</u></u>

Village of Milford

Proprietary Fund Statement of Cash Flows Year Ended June 30, 2007

	Enterprise Fund - Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 1,214,726
Payments to suppliers	(628,669)
Payments to employees	(710,767)
Other operating revenues	3,960
Net cash used in operating activities	(120,750)
Cash Flows from Capital and Related Financing Activities	
Connection fees	47,985
Proceeds from capital contributions	475,770
Interest paid on long-term debt	(136,343)
Decrease in restricted assets	56,907
Purchase of capital assets	(327,378)
Principal paid on capital debt	(525,000)
Net cash used in capital and related financing activities	(408,059)
Cash Flows from Investing Activities	
Interest received on cash and investments	60,198
Sale of investment	52,678
Net cash provided by investing activities	112,876
Cash Flows from Noncapital Financing Activities - Transfers out	(7,200)
Net Decrease in Cash and Cash Equivalents	(423,133)
Cash and Cash Equivalents - Beginning of year	1,061,860
Cash and Cash Equivalents - End of year	\$ 638,727
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (602,281)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	614,634
Changes in assets and liabilities:	
Receivables	(35,050)
Accounts payable	(98,449)
Accrued and other liabilities	396
Net cash used in operating activities	\$ (120,750)

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2007, the Water and Sewer Fund received \$23,260 of water lines donated by developers. These lines were recorded as capital assets.

Village of Milford

Fiduciary Funds Statement of Assets and Liabilities June 30, 2007

	<u>Agency Funds</u>
Assets - Cash and cash equivalents	<u>\$ 521,039</u>
Liabilities - Deposits	<u>\$ 521,039</u>

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Village of Milford, Michigan (the "Village") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Milford, Michigan:

Reporting Entity

The Village of Milford, Michigan is governed by an elected seven-member council. The accompanying financial statements present the Village and its component units, entities for which the Village is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the Village's operations.

Blended Component Units

The Downtown Development Authority (the "Authority" or the "DDA") is governed by a 13-member board that is appointed by the Village Council. The Authority is reported as if it were part of the primary government because the Village Council retains responsibility for the activities, finances, and commitments of the Authority.

The Parking Authority is incorporated into the Village's financial statements. It is governed by a seven-member board that is appointed by the Village Council. The Village has retained responsibility for funding the Parking Authority and exercises ultimate control over it.

The Brownfield Redevelopment Financing Authority (the "Brownfield Authority") was established pursuant to Public Act 381 of 1996. The Brownfield Authority was created to promote revitalization of environmentally distressed areas within the boundaries of the Village. The Authority is reported as if it were part of the primary government because the Village Council retains responsibility for the activities, finances, and commitments of the Authority.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these financial statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Note 1 - Summary of Significant Accounting Policies (Continued)

The Village reports the following major governmental funds:

General Fund - The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund - The Major Street Fund is used to account for the state gas and weight tax revenues that are restricted for use on major roads.

Police Fund - The Police Fund accounts for the activities of the Village's police department.

The Village reports the following major proprietary fund:

Water and Sewer Fund - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Additionally, the Village reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Agency Fund - The Agency Fund is used to account for assets held by the Village in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Village has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

Note I - Summary of Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer function and various other functions of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on September 1 of the following year, at which time penalties and interest are assessed.

The 2006 taxable valuation of the Village, assessed as of December 31, 2005, totaled approximately \$270,006,000 (a portion of which is captured by the DDA), on which ad valorem taxes levied consisted of 3.4931 mills for operating purposes and 2.0029 mills for refuse collection. The ad valorem taxes levied raised approximately \$832,000 for operating and \$477,000 for refuse collection, which is recorded in the General Fund as tax revenue. The Downtown Development Authority additionally levied 1.747 mills in its district, resulting in approximately \$93,000 of revenue recorded in the Downtown Development Authority Fund.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Note I - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings	10 to 50 years
Equipment	3 to 10 years
Furniture	10 years
Vehicles	3 to 5 years
Land improvements	15 years
Treatment plant/Iron removal plant	5 to 50 years
Water lines	10 to 50 years
Sewer system	50 years
Streets, sidewalks, and bridges	15 to 50 years

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Deferred Revenue - Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period.

Long-term Obligations - In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data - Comparative data is not included in the Village's financial statements.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Village of Milford

Notes to Financial Statements June 30, 2007

Note 2 - Construction Code Fees

Construction Code Fees - The Village oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building construction codes. The Village charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative excess generated since January 1, 2000 is as follows:

Building permit revenue		\$ 72,282
Construction code direct expenses	\$ 121,834	
Construction code indirect expenses	<u>28,483</u>	
Total expenses		<u>150,317</u>
Expenses in excess of revenues		(78,035)
Cumulative shortfall - July 1, 2006		<u>(26,036)</u>
Cumulative shortfall - June 30, 2007		<u><u>\$ (104,071)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Village is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. To the extent that cash from various funds has been pooled in an investment vehicle, related investment income is allocated to each fund based on relative participation in the pool, except that Agency Funds investment earnings are allocated to the General Fund.

The Village's investment policy, adopted in accordance with state law, permits the Village to invest in investment pools organized under the Surplus Funds Investment Act of 1982 and under the Investment Company Act of 1940.

Note 3 - Deposits and Investments (Continued)

The Village has designated eight banks for the deposit of its funds. The Village of Milford's deposits and investment policies are in accordance with statutory authority.

The Village's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had approximately \$3,000,000 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Village has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	
		Organization	Rating
Comerica J Fund	\$ 109,536	S&P, Moody's	AI, PI
Interlocal Agreements	550,042	N/A	Unrated
Bank One Investment Pool Fund	137,465	Fitch	Aaa
Ambassador Money Market Fund	957,098	N/A	Unrated

Village of Milford

Notes to Financial Statements June 30, 2007

Note 4 - Capital Assets

Capital asset activity of the Village's governmental and business-type activities was as follows:

	Balance July 1, 2006	Reclassifications	Additions	Disposals	Balance June 30, 2007
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 341,660	\$ -	\$ -	\$ -	\$ 341,660
Construction in progress	353,090	(9,474)	205,909	-	549,525
Subtotal	694,750	(9,474)	205,909	-	891,185
Capital assets being depreciated:					
Equipment	2,265,571	-	55,072	-	2,320,643
Furniture	26,249	-	-	-	26,249
Streets, sidewalks, and bridges	14,599,077	-	46,476	-	14,645,553
Vehicles	517,396	-	36,997	101,053	453,340
Land improvements	233,833	9,474	180,503	-	423,810
Buildings	1,973,999	-	-	-	1,973,999
Subtotal	19,616,125	9,474	319,048	101,053	19,843,594
Accumulated depreciation:					
Equipment	1,059,817	-	125,769	-	1,185,586
Furniture	15,739	-	1,245	-	16,984
Streets, sidewalks, and bridges	7,337,274	-	806,425	-	8,143,699
Vehicles	380,485	-	61,842	101,053	341,274
Land improvements	123,556	-	12,244	-	135,800
Buildings	855,288	-	50,274	-	905,562
Subtotal	9,772,159	-	1,057,799	101,053	10,728,905
Net capital assets being depreciated	9,843,966	9,474	(738,751)	-	9,114,689
Net capital assets	\$ 10,538,716	\$ -	\$ (532,842)	\$ -	\$ 10,005,874

Village of Milford

Notes to Financial Statements June 30, 2007

Note 4 - Capital Assets (Continued)

	Balance July 1, 2006	Reclassifications	Additions	Disposals	Balance June 30, 2007
Business-type Activities					
Capital assets not being depreciated -					
Construction in progress	\$ 124,240	\$ (124,240)	\$ 25,956	\$ -	\$ 25,956
Capital assets being depreciated:					
Treatment plant	8,231,911	-	59,619	-	8,291,530
Sewer equipment	726,310	-	37,993	2,132	762,171
Vehicles	126,197	-	-	-	126,197
Water lines	9,001,731	-	30,314	-	9,032,045
Sewer system	3,402,447	124,240	196,756	-	3,723,443
Iron removal plant	530,636	-	-	-	530,636
Subtotal	22,019,232	124,240	324,682	2,132	22,466,022
Accumulated depreciation:					
Treatment plant	5,125,170	-	260,718	-	5,385,888
Sewer equipment	442,845	-	38,786	2,132	479,499
Vehicles	114,993	-	5,537	-	120,530
Water lines	2,074,538	-	229,283	-	2,303,821
Sewer system	1,265,765	-	68,049	-	1,333,814
Iron removal plant	341,753	-	12,261	-	354,014
Subtotal	9,365,064	-	614,634	2,132	9,977,566
Net capital assets being depreciated	12,654,168	124,240	(289,952)	-	12,488,456
Net capital assets	\$ 12,778,408	\$ -	\$ (263,996)	\$ -	\$ 12,514,412

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 95,805
Public safety	60,000
Public works	65,542
Downtown development	61,585
Streets	770,178
Parking	4,689

Total governmental activities \$ 1,057,799

Business-type activities - Water/Sewer \$ 614,634

Village of Milford

Notes to Financial Statements June 30, 2007

Note 5 - Interfund Transfers

The composition of interfund transfers is as follows:

Transfers out from the General Fund to the following funds:	
Local Street Fund for street construction	\$ 159,250
Retiree Health Care Fund for future retiree health care costs	11,225
Downtown Development Authority for crosswalks	<u>4,900</u>
Total General Fund transfers out	175,375
Transfers out from the Police Fund to the Retiree Health Care Fund for future health care costs	67,025
Transfers out from the Downtown Development Authority to the Retiree Health Care Fund for future health care costs	<u>885</u>
Total Governmental Funds transfers out	243,285
Transfers out from the Water and Sewer Fund to the Retiree Health Care Fund for future health care costs	<u>7,200</u>
Total transfers	<u><u>\$ 250,485</u></u>

Village of Milford

Notes to Financial Statements June 30, 2007

Note 6 - Long-term Debt

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
1999 Downtown Development							
Authority Bonds:							
Amount of issue - \$700,000	5.20%-	\$40,000-					
Maturing through 2018	5.75%	\$55,000	\$ 590,000	\$ -	\$ (35,000)	\$ 555,000	\$ 40,000
2002 Downtown Development							
Authority Bonds:							
Amount of issue - \$900,000	4.20%-	\$50,000-					
Maturing through 2018	5.15%	\$100,000	800,000	-	(25,000)	775,000	50,000
HVAC installment purchase:							
Amount of issue - \$98,000	3.5%	\$20,262-					
Maturing through 2009		\$20,971	60,810	-	(19,577)	41,233	20,262
Land contract:							
Amount of issue - \$92,190	6.0%	\$1,753-					
Maturing through 2030		\$6,318	84,056	-	(1,654)	82,402	1,753
Total general obligation bonds, installment purchases, and land contracts			1,534,866	-	(81,231)	1,453,635	112,015
Other general obligations -							
Accumulated employee benefits			453,767	259,107	(266,305)	446,569	257,793
Total governmental activities			<u>\$ 1,988,633</u>	<u>\$ 259,107</u>	<u>\$ (347,536)</u>	<u>\$ 1,900,204</u>	<u>\$ 369,808</u>

Village of Milford

Notes to Financial Statements June 30, 2007

Note 6 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
County contractual obligations:							
Sewage Disposal System Extension No. 2:							
Amount of issue - \$3,550,000 Maturing through 2006	-	-	\$ 300,000	\$ -	\$ (300,000)	\$ -	\$ -
1997 Water Supply System:							
Amount of issue - \$900,000	5.00% -	\$50,000-					
Maturing through 2017	5.50%	\$75,000	650,000	-	(50,000)	600,000	50,000
1999 Water Supply System:							
Amount of issue - \$400,000	5.50%	\$20,000-					
Maturing through 2018		\$45,000	315,000	-	(20,000)	295,000	20,000
Revenue bonds:							
2001 Water Supply Revenue Bonds:							
Amount of issue - \$1,905,000	2.50%	\$85,000-					
Maturing through 2021		\$120,000	1,595,000	-	(80,000)	1,515,000	85,000
2002 Water Supply Revenue Bonds:							
Amount of issue - \$1,760,000	2.50%	\$80,000-					
Maturing through 2022		\$110,000	1,475,000	-	(75,000)	1,400,000	80,000
Total business-type activities			\$ 4,335,000	\$ -	\$ (525,000)	\$ 3,810,000	\$ 235,000

Annual debt service requirements to maturity for the Village's long-term obligations, excluding compensated absences and the provision for potential tax adjustments, are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 112,015	\$ 74,100	\$ 186,115	\$ 235,000	\$ 120,188	\$ 355,188
2009	117,830	69,205	187,035	235,000	112,413	347,413
2010	101,970	63,875	165,845	245,000	104,525	349,525
2011	102,088	58,882	160,970	250,000	96,275	346,275
2012	102,214	53,806	156,020	255,000	87,813	342,813
2013-2017	703,227	175,330	878,557	1,450,000	299,675	1,749,675
2018-2022	172,701	24,099	196,800	1,140,000	78,850	1,218,850
2023-2027	23,688	9,800	33,488	-	-	-
2028-2032	17,902	2,190	20,092	-	-	-
Total	\$ 1,453,635	\$ 531,287	\$ 1,984,922	\$ 3,810,000	\$ 899,739	\$ 4,709,739

Note 7 - Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village participates in the Michigan Municipal League risk pool for all claims.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 8 - Defined Benefit Pension Plan and Postretirement Benefits

Plan Description - The Village participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers certain employees of the Village. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the Village's competitive bargaining units and Village Council resolution and requires no contribution from the employees, except for command officers, who are required to contribute 1.73 percent of their base pay.

**Note 8 - Defined Benefit Pension Plan and Postretirement Benefits
(Continued)**

Annual Pension Costs - For the year ended June 30, 2007, the Village's annual pension cost totaled \$355,542. The actuarial valuation required a contribution of \$253,457. The Village additionally contributed \$102,085 to the plan toward the unfunded liability for the police. The intent of the Village is to reduce the unfunded liability by June 30, 2016, with the first installment made during the current fiscal year. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age cost method. Significant actuarial assumptions used include: (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent attributable to inflation, (c) additional salary increases of 0 percent to 8.4 percent per year, attributable to seniority/merit, and (d) the assumption that benefits will increase 4.5 percent per year annually after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on an open basis. The remaining amortization period is 30 years.

Three-year trend information as of June 30 follows:

	Fiscal Year Ended June 30		
	2005	2006	2007
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 233,578	\$ 236,946	\$ 253,457
Percentage of APC contributed	100%	100%	140%
Net pension obligation (asset)	\$ -	\$ -	\$ (102,085)
Actuarial Valuation as of December 31			
	2004	2005	2006
Actuarial value of assets	\$ 5,694,533	\$ 6,003,693	\$ 6,326,257
Actuarial accrued liability (AAL) (entry age)	\$ 7,529,114	\$ 8,119,486	\$ 9,144,437
Unfunded AAL (UAAL)	\$ 1,834,581	\$ 2,115,793	\$ 2,818,180
Funded ratio	76%	74%	69%
Covered payroll	\$ 1,845,732	\$ 1,922,071	\$ 1,901,777

Note 9 - Defined Contribution Pension Plan

The Village provides pension benefits to nearly all of its nonunion and Department of Public Works employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Village Council, the Village contributes 12 percent of nonunion employees' gross earnings and nonunion employees contribute 2 percent of earnings. The Village also contributes 11 percent of the Department of Public Works employees' gross earnings and those employees do not contribute to the plan. In accordance with these requirements, the Village contributed \$109,904 and employees contributed \$24,096 during the current year.

Note 10 - Joint Ventures

The Village is a member of the Western Oakland County Cable Commission Authority (the "Cable Authority"), which provides cable services to the residents of the Villages of Milford and Wolverine Lake, the Townships of Commerce, Highland, Lyon, Milford, and White Lake, and the cities of Walled Lake and Wixom. The Cable Authority receives a management fee from the cable television company and currently receives a portion of the Village's franchise fees. The Village is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The financial statement for the joint venture is available for inspection at the Village offices. The investment in the Cable Authority of \$50,438 is recorded in the statement of net assets.

Note 11 - Postemployment Benefits

The Village provides health care benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, nine retirees are eligible. The Village includes pre-Medicare retirees and their dependents in its insured health care plan, with contributions ranging from \$300 to \$730 required by the participant.

The Village provides Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$49,500.

Note 11 - Postemployment Benefits (Continued)

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Note 12 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. The Village has deferred revenue and an accompanying long-term receivable at the end of the fiscal year in the amount of \$82,704 relating to a long-term lease entered into with the YMCA.

Required Supplemental Information

Village of Milford

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 1,317,850	\$ 1,317,850	\$ 1,317,333	\$ (517)
Federal sources	17,589	22,589	15,760	(6,829)
State sources	555,500	556,500	535,331	(21,169)
Licenses and permits	180,000	70,000	72,282	2,282
Fines and forfeitures	10,000	10,000	9,345	(655)
Charges for services	183,900	174,900	169,270	(5,630)
Interest income	93,500	93,500	76,667	(16,833)
Other	107,553	134,153	135,512	1,359
Total revenues	<u>\$ 2,465,892</u>	<u>\$ 2,379,492</u>	<u>\$ 2,331,500</u>	<u>\$ (47,992)</u>
Expenditures				
General government:				
General administration	\$ 183,475	\$ 148,150	\$ 136,710	\$ 11,440
Council	15,225	15,225	14,183	1,042
Elections	300	300	217	83
Manager	113,650	113,650	112,455	1,195
Treasurer	79,700	79,850	76,391	3,459
Clerk	91,650	91,650	88,468	3,182
Civic Center	92,575	128,875	127,007	1,868
Planning Commission	111,750	96,250	100,506	(4,256)
Zoning Board of Appeals	24,975	24,975	21,328	3,647
Legal	46,000	32,500	28,323	4,177
Data processing	89,900	81,550	88,468	(6,918)
Beautification Commission	2,000	-	-	-
Ordinance enforcement	28,425	25,750	20,957	4,793
CDBG	17,589	17,589	7,760	9,829
Total general government	897,214	856,314	822,773	33,541
Building inspection	159,175	127,175	121,834	5,341
Public works:				
Department of Public Works	342,925	338,775	339,370	(595)
Sanitation	486,550	483,050	485,960	(2,910)
Fleet maintenance	167,600	162,050	155,034	7,016
Street maintenance	50,600	50,600	46,790	3,810
Landfill	95,000	184,500	152,390	32,110
Parks and recreation	156,450	151,700	143,556	8,144
Total public works	1,299,125	1,370,675	1,323,100	47,575
Principal retirement	21,232	21,232	21,231	1
Interest	7,173	7,173	7,186	(13)
Transfers to other funds	152,925	174,125	175,375	(1,250)
Total expenditures	<u>\$ 2,536,844</u>	<u>\$ 2,556,694</u>	<u>\$ 2,471,499</u>	<u>\$ 85,195</u>

Village of Milford

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Major Street Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
State sources	\$ 252,000	\$ 252,000	\$ 256,463	\$ 4,463
Interest income	20,000	20,000	18,862	(1,138)
Miscellaneous	<u>-</u>	<u>-</u>	<u>31</u>	<u>31</u>
Total revenues	<u>\$ 272,000</u>	<u>\$ 272,000</u>	<u>\$ 275,356</u>	<u>\$ 3,356</u>
Expenditures - General government -				
Highways, streets, and bridges	<u>\$ 418,850</u>	<u>\$ 418,050</u>	<u>\$ 393,642</u>	<u>\$ 24,408</u>

Village of Milford

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Police Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Charges for services	\$ 2,877,500	\$ 3,077,500	\$ 3,073,143	\$ (4,357)
Interest income	75,000	75,000	123,722	48,722
Other income	<u>6,000</u>	<u>14,875</u>	<u>17,594</u>	<u>2,719</u>
Total revenues	<u>\$ 2,958,500</u>	<u>\$ 3,167,375</u>	<u>\$ 3,214,459</u>	<u>\$ 47,084</u>
Expenditures				
Public safety	\$ 2,929,975	\$ 3,100,350	\$ 2,830,162	\$ 270,188
Transfers to other funds	<u>28,525</u>	<u>67,025</u>	<u>67,025</u>	<u>-</u>
Total expenditures	<u>\$ 2,958,500</u>	<u>\$ 3,167,375</u>	<u>\$ 2,897,187</u>	<u>\$ 270,188</u>

Village of Milford

Note to Required Supplemental Information Year Ended June 30, 2007

Note - Budgetary Information

Budgetary Information - The annual budgets are prepared by the Village manager and adopted by the Village Council; subsequent amendments are approved by the Village Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2007 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budgets for the General Fund and Special Revenue Funds have been prepared in accordance with accounting principles generally accepted in the United States of America, with the exception that operating transfers have been included in the "revenue" and/or "expenditures" categories, rather than as "other financing sources (uses)."

The budgets have been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budgets of the General Fund, Major Street Fund, and Police Fund, as adopted by the Village Council, is included in the required supplemental information of the basic financial statements. A comparison of the actual results of operations to the nonmajor Special Revenue Funds budgets, as adopted by the Village, are available at the Village offices for inspection.

There were no significant expenditure budget overruns for the year ended June 30, 2007.

Other Supplemental Information

Village of Milford

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2007

	Special Revenue Funds							Total Nonmajor
	Local Street	Drug Law Enforcement	Downtown Development Authority	Parking	Senior Van	Retiree Health Care	Brownfield Redevelopment Authority	Governmental Funds
Assets								
Cash and investments	\$ 31	\$ 11,568	\$ 198,338	\$ 77,630	\$ 40,788	\$ 148,840	\$ 363	\$ 477,558
Receivables:								
Accrued interest	-	-	2,438	868	450	1,433	-	5,189
Other	-	-	5,564	-	5,618	-	-	11,182
Due from other governmental units	16,800	-	-	-	-	-	-	16,800
Prepaid expenses and other	3,460	-	3,400	-	-	-	-	6,860
Total assets	\$ 20,291	\$ 11,568	\$ 209,740	\$ 78,498	\$ 46,856	\$ 150,273	\$ 363	\$ 517,589
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 2,470	\$ -	\$ 9,351	\$ 197	\$ 4,120	\$ -	\$ -	\$ 16,138
Accrued and other liabilities	1,936	-	1,229	1,081	1,197	-	-	5,443
Total liabilities	4,406	-	10,580	1,278	5,317	-	-	21,581
Fund Balances								
Reserved for prepaid costs	3,460	-	3,400	-	-	-	-	6,860
Unreserved - Undesignated	12,425	11,568	195,760	77,220	41,539	150,273	363	489,148
Total fund balances	15,885	11,568	199,160	77,220	41,539	150,273	363	496,008
Total liabilities and fund balances	\$ 20,291	\$ 11,568	\$ 209,740	\$ 78,498	\$ 46,856	\$ 150,273	\$ 363	\$ 517,589

Village of Milford

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended June 30, 2007

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Local Street	Drug Law Enforcement	Downtown Development Authority	Parking	Senior Van	Retiree Health Care	Brownfield Redevelopment Authority	
Revenue								
Property taxes	\$ -	\$ -	\$ 492,921	\$ -	\$ -	\$ -	\$ 363	\$ 493,284
State-shared revenue	119,815	-	-	-	54,239	-	-	174,054
Federal sources	-	-	29,700	-	-	-	-	29,700
Interest	-	-	18,751	4,536	1,828	6,249	-	31,364
Other revenue	-	-	-	-	39,088	-	-	39,088
Fines and forfeitures	-	6,338	-	33,334	-	-	-	39,672
Special assessments	-	-	-	25,713	-	-	-	25,713
Total revenue	119,815	6,338	541,372	63,583	95,155	6,249	363	832,875
Expenditures								
Highways, streets, and bridges	263,443	-	-	-	-	-	-	263,443
Parking improvements	-	-	-	38,147	-	-	-	38,147
Building improvements	-	-	110,902	-	-	-	-	110,902
Other	-	-	140,839	-	97,918	-	-	238,757
Retiree health care	-	-	-	-	-	34,020	-	34,020
Debt service:								
Principal retirement	-	-	60,000	-	-	-	-	60,000
Interest and fiscal charges	-	-	71,160	-	-	-	-	71,160
Total expenditures	263,443	-	382,901	38,147	97,918	34,020	-	816,429
Excess of Revenue Over (Under) Expenditures	(143,628)	6,338	158,471	25,436	(2,763)	(27,771)	363	16,446
Other Financing Sources								
Operating transfers in	159,250	-	4,900	-	-	86,335	-	250,485
Operating transfers out	-	-	(885)	-	-	-	-	(885)
Total other financing sources (uses)	159,250	-	4,015	-	-	86,335	-	249,600
Net Change in Fund Balances	15,622	6,338	162,486	25,436	(2,763)	58,564	363	266,046
Fund Balances - Beginning of year	263	5,230	36,674	51,784	44,302	91,709	-	229,962
Fund Balances - End of year	\$ 15,885	\$ 11,568	\$ 199,160	\$ 77,220	\$ 41,539	\$ 150,273	\$ 363	\$ 496,008



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August 22, 2007

To the Members of the
Village Council
Village of Milford
1000 Atlantic Street
Milford, MI 48381

Dear Council Members:

We have recently completed our audit of the financial statements of the Village of Milford (the "Village") for the year ended June 30, 2007. As part of our audit, and in addition to the financial report, we offer the following comments and recommendations for your consideration. Before we discuss our specific comments and recommendations, we would like to compliment the Village's staff, in particularly Mrs. Becky Jacques, for the overall positive condition of the financial records and related documentation, current year improvements in the system of internal control, and for the assistance and cooperation provided to us during the audit.

Internal Control and Accounting Considerations

During the audit, we noted the following items:

- We were pleased to note that the Village made an improvement in its controls with respect to bank reconciliations. In the past, the treasurer had prepared the reconciliations and they were not reviewed by another individual. The deputy treasurer now prepares the bank reconciliations and they are then reviewed by the treasurer. This check and balance should enhance the Village's control over bank reconciliations. The controls could be enhanced further if the reconciliations would include physical evidence such as signatures and dates by the preparer and reviewer.
- During our journal entry testing, we noticed that not all journal entries are reviewed by another individual prior to posting. Similar to the bank reconciliations above, separation of duties between preparation and review adds a strong element of control. Although the Village Council reviews financial information regularly, we recommend the Village initiate a policy in which these journal entries are systematically reviewed and a signature is placed on all entries as evidence of review.

Property Assessment Cap

As you recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is as follows:

<u>Year</u>	<u>Percentage</u>
2007	3.7
2006	3.3
2005	2.3
2004	2.3
2003	1.5
2002	3.2
2001	3.2
2000	1.9
1999	1.6
1998	2.7
1997	2.8

As indicated above, growth in existing property taxes can be significantly limited due to Proposal A. This look back over the past several years can be interesting, especially in comparison to the increasing cost of health care premiums and other Village expenses, particularly petroleum-related products in more recent years. This factor should be considered when the Village is involved in long-term financial planning.

Property Tax Legislation

A series of House bills were introduced in 2007 dealing with the treatment of the uncapping of value on sale or transfer of property. With the passage of Proposal A in 1994, changes to the taxable value of an individual property are limited to the lesser of the rate of inflation or 5 percent until the property is sold or transferred. The difference between the capped taxable value amount and state equalized value at the time of transfer is referred as the “uncapped” value or the “pop-up” value. As several published studies and reports have demonstrated, the treatment of “uncapped” values or the “pop-up” amount when a property is transferred or sold as growth on existing property subject to the Headlee rollback calculation has resulted in continued downward pressure on millage rates. This treatment is due to definitional changes made to the General Property Tax Act in 1994.

The three bills in the package are House Bills 4440, 4441, and 4442 and would propose to do the following:

- **House Bill 4440** - This bill establishes an 18-month moratorium on the “pop-up” or “uncapping” of taxable value to state equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the time frame of the moratorium would continue to pay property taxes at the previous taxable value amount. The “pop-up” or “uncapping” of taxable value would be delayed until the property was sold or transferred in later years.
- **House Bill 4441** - This bill increases the real estate transfer tax by .10 percent and earmarks the money to be returned to local government for potential loss in revenue occurring from House Bill 4440.
- **House Bill 4442** - This bill would change the General Property Tax Act to exempt the “pop-up” or “uncapped” value from the Headlee rollback calculation. If this legislation were enacted, increases in taxable value resulting from property sales or transfers would be treated as “additions” to taxable value or new growth versus growth on existing property.

House Bills 4440 and 4441 passed the House on March 14 (HB 4440 has been assigned to the Senate Finance Committee). House Bill 4442 has not been voted on yet in the House. The bills are not tie barred.

Municipal Finance Act Revisions

The Municipal Finance Act was amended several years ago. Communities are now required to submit a Municipal Qualifying Statement once a year with the Michigan Department of Treasury. The old 10-day “exemption from prior approval” process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. This comment is just a reminder that the current filing is due within six months following the end of the Village’s year ended June 30, 2007 and is good for one year thereafter.

New Cable Franchise Legislation

The governor signed cable franchise legislation (House Bill 6456) into law effective January 1, 2007. The new law (Public Act 480 of 2006) creates the "Uniform Video Services Local Franchise Act," which provides a statewide framework for franchising agreements instead of individual community agreements. This Act requires video service providers to obtain a local franchise, good for 10 years, from the franchising entity (the local unit of government). As part of the local franchise, the provider is required to pay an annual video service provider fee, not to exceed 5 percent of gross revenue, as well as an annual fee for the costs of the PEG access facilities, not to exceed 2 percent of gross revenue. The Act allows providers to terminate the current franchise contracts before their expiration date, in order to enter into this new local franchise agreement under the statewide framework.

Local units of government will be impacted in the following ways:

- Under the Act, no additional fees or charges other than those stipulated under the Act may be written into the local franchise agreements.
- To the extent existing cable franchise agreements provided more funding than provided for under the new Act, municipalities will see reduced fees from these new local franchise agreements.
- A credit, based on annual maintenance fees paid for use of public rights of way, to video service providers is allowed under the Act. This credit could eliminate or significantly reduce any revenue the local unit might receive under the bill's franchise fee.
- Audits of the video service providers' calculation of gross revenue is limited to once every two years.

We strongly encourage you to review the May 2007 payment compared to payments previously received and follow up with your provider as required.

Funding of Postemployment Benefit Obligations

As mentioned in the prior year, the Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care benefits.

The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, which also represents the period in which the benefits are being earned, rather than at the time the health care premiums are paid.

These new rules will apply to the government-wide financial statements, rather than the individual fund level. For many communities, the funding of postemployment benefits is the most significant financial challenge they will face in coming years. The statement will not be effective until the Village's fiscal year ending June 30, 2009. The cost of health care currently paid each year as premiums become due has been increasing and the trend is expected to continue.

However, as previously mentioned, the Village is part of an elite minority of communities which have already taken action in order to address this GASB pronouncement, including obtaining an actuarial valuation and establishing a separate fund to begin to accumulate resources to fund the future liability. The vast majority of communities have not yet established any funding for this significant item.

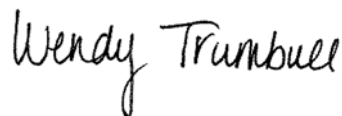
This report is intended solely for the use of the Village Council and management of the Village of Milford. Again, we would like to thank the Village Council, Arthur Shufflebarger, Becky Jacques, and all of the Village's personnel for the courtesy and assistance extended to us during the audit. We would be happy to answer any questions or concerns you have regarding the annual financial report and the above comments and recommendations at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Leslie J. Pulver". The signature is written in a cursive, flowing style.

Leslie J. Pulver

A handwritten signature in black ink that reads "Wendy Trumbull". The signature is written in a cursive, flowing style.

Wendy N. Trumbull